

Message Text

SECRET

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ACTION SS-25

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S E C R E T JIDDA 1496

EXDIS

FOR SECRETARY VANCE FROM AMBASSADOR PORTER

E.O. 11652: GDS
TAGS: PFOR, ETRD, SA, US
SUBJ: DOCUMENT FROM HRH CROWN PRINCE FAHD FOR SECRETARY VANCE

REF: RIYADH 0050

1. HRH CROWN PRINCE FAHD HANDED AMBASSADOR PORTER DOCUMENT
DURING MEETING ON FEBRUARY 23 FOR YOUR USE PER PARA 2 REFTEL
AS YOU DEEM APPROPRIATE. EMBASSY TRANSLATION FOLLOWS:

2. BEGIN QUOTE. PETROLEUM:

A. THE UNITED STATES IMPORTED A TOTAL OF \$13 BILLION OF OIL
FROM SAUDI ARABIA IN 1976 WHILE IN 1975 THE SUM WAS \$7.6
BILLION. THAT IS TO SAY, THAT THE DEPENDENCE OF THE US ON
THE KINGDOM FOR OIL IMPORTS IS CONSTANTLY INCREASING.
B. IT IS EXPECTED THAT IN 1980, THE US WILL IMPORT
50 PERCENT OF ITS PETROLEUM CONSUMPTION FROM ABROAD AND THE LEVEL
OF AMERICAN IMPORTS FROM THE KINGDOM WILL BE ABOUT 25 PERCENT
OF THAT.
C. THE BOYCOTT LEGISLATION WILL HAVE AN EFFECT ON
AMERICAN PETROLEUM EQUIPMENT COMPANIES CURRENTLY DEALING
WITH THE KINGDOM. ALTHOUGH THE POSSIBILITY OF THE
KINGDOM TO SHIFT PURCHASES TOWARD COMPANIES IN OTHER COUNTRIES

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IS LIMITED BECAUSE AMERICAN TECHNOLOGY IN THIS FIELD IS
ADVANCED TO SUCH A DEGREE OVER OTHER COUNTRIES, THE
EFFECT OF THIS WILL BE EVEN WORSE FOR THE CONSUMER, WHOM
THE US IS TRYING TO SUPPLY WITH OIL, THAN FOR SAUDI
ARABIA WHICH IS ALREADY PRODUCING ABOVE ITS NEEDS.
D. IN THE EVENT OF THE KINGDOM'S ASSUMING TOTAL
OWNERSHIP OF ARAMCO, IT WOULD PROCEED RESOLUTELY TO THE

FULL APPLICATION OF THE BOYCOTT LAWS WHICH WOULD AFFECT
THE INTERESTS OF THE COMPANIES WORKING WITH ARAMCO.

3. FINANCIAL MATTERS:

THE CENTRAL BANK OF SAUDI ARABIA HAD, AS OF
JANUARY 1977, MORE THAN \$11 BILLION IN AMERICAN TREASURY
SECURITIES AND SECURITIES ISSUED BY ORGANIZATIONS
BELONGING TO THE AMERICAN GOVERNMENT. IN GENERAL, THE
INVESTMENTS OF THE GOVERNMENT OF SAUDI ARABIA AND THE
SAUDI PRIVATE SECTOR IN AMERICA CONSTITUTE ABOUT 40 PERCENT
OF THE KINGDOM'S FOREIGN INVESTMENTS. IN THE CASE OF
THE ISSUANCE OF MORE STRINGENT BOYCOTT LEGISLATION,
AMERICAN COMPANIES WOULD BE PRECLUDED FROM WORKING WITH
THE KINGDOM. AS A RESULT, THE KINGDOM'S COMMODITY
PURCHASES WOULD BE DIVERTED TO OTHER STATES -- CAUSING
THE TRANSFER OF SOME OF THESE INVESTMENTS IN AMERICA
IN ORDER TO PAY FOR THESE PURCHASES.

4. ARMS:

A. THE SIZE OF THE MILITARY PROGRAM WITH AMERICAN
TOTALS ABOUT \$10 BILLION. THERE ARE PLANS FOR THE
EXPANSION OF THE PROGRAM TO REACH \$20 BILLION IN THE
FUTURE. IT SHOULD BE NOTED HERE THAT THE GREAT PART OF
THE SAUDI MILITARY EQUIPMENT PROGRAM INCLUDES CIVILIAN
PROJECTS WHICH WILL BE VERY EASY TO DIVERT TO OTHERS IN
THE LIGHT OF STRICT BOYCOTT LAWS.

B. SIMILAR POSSIBILITIES ARE ALSO APPLICABLE TO
ARMS. AND THIS WILL CONSTITUTE A GREATER LOSS TO
AMERICA THAN TO THE KINGDOM.

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5. TRADE:

A. THE KINGDOM'S IMPORTS FROM THE US ROSE FROM
\$1.5 BILLION IN 1975 TO \$3 BILLION IN 1976, I.E., AN
INCREASE OF ABOUT 97 PERCENT.

B. THE US EXPORTED TO THE ARAB WORLD DURING 1975
ABOUT \$5.5 BILLION (WORTH OF GOODS). IT IS EXPECTED
THAT AN AMOUNT OF ABOUT \$200 BILLION WILL BE APPROPRI-
ATED (BY ARAB GOVERNMENTS) FOR DEVELOPMENT PROJECTS
DURING THE NEXT FIVE YEARS. IT IS ALSO ESTIMATED THAT
THE US WILL OBTAIN ABOUT 20 PERCENT OF THOSE PROJECTS WHICH
MEANS EMPLOYMENT FOR ABOUT 800,000 WORKERS OR ABOUT 9 PERCENT
OF THE TOTAL NUMBER OF UNEMPLOYED IN THE US.

C. THE NUMBER OF COMPANIES FOUNDED AS JOINT
VENTURES BETWEEN AMERICAN AND SAUDI PARTNERS IN THE
KINGDOM UP TO THE BEGINNING OF 1977 IS ABOUT 71 WHILE
THE NUMBER OF AMERICAN COMPANIES WHICH HAVE EITHER
OFFICES OR BRANCHES IN THE KINGDOM ARE 200. IN THE
WHOLE ARAB WORLD THE NUMBER OF AMERICAN FIRMS IS ABOUT

300. IT SHOULD BE NOTED THAT THE MAJORITY OF THESE COMPANIES ARE AMONG THE LARGEST OF THE AMERICAN COMPANIES WHICH CANNOT AFFORD TO FOREGO THEIR INTERESTS WITHOUT GREAT FINANCIAL LOSS. END QUOTE.

6. COMMENT: EMBASSY HAS NOT REPEAT NOT CHOSEN TO QUIBBLE OVER FIGURES ADVANCED BY SAUDIS. THE MAGNITUDES ARE GENERALLY CORRECT, REFLECT DEVELOPING TRENDS, AND IN ANY EVENT CONSTITUTE SAUDI PERCEPTION OF THEIR EVOLVING POSITION. WHETHER WE AGREE WITH THEM OR NOT, THE DATA CONSTITUTE THE BASIS FOR THE SAG BEHAVIORAL PATTERN DESCRIBED ABOVE SHOULD PUNITIVE ANTI-BOYCOTT LEGISLATION BE ADOPTED.

PORTER

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